

Rochester Institute of Technology

RIT Scholar Works

Theses

7-2020

The Link between Successful Implementation of Managerial Practices and the Success of Family Owned Businesses in Kosovo

Rrezearta Jahiu
rxj9329@rit.edu

Follow this and additional works at: <https://scholarworks.rit.edu/theses>

Recommended Citation

Jahiu, Rrezearta, "The Link between Successful Implementation of Managerial Practices and the Success of Family Owned Businesses in Kosovo" (2020). Thesis. Rochester Institute of Technology. Accessed from

This Senior Project is brought to you for free and open access by RIT Scholar Works. It has been accepted for inclusion in Theses by an authorized administrator of RIT Scholar Works. For more information, please contact ritscholarworks@rit.edu.

The Link between Successful Implementation of Managerial Practices and the Success of Family Owned Businesses in Kosovo

An Honors Society Project

Rrezearta Jahiu

Advisor: Venera Demukaj, PhD

Second reader: Fadil Sahiti, PhD

July, 2020

Abstract

This research project analyzes the link between the successful implementation of managerial practices of family owned businesses in Kosovo and the performance of these companies in terms of the increase in their sales and growth. The four main groups of managerial practices, namely operations, monitoring, targets and incentives, are analyzed. These four main groups of managerial practices are subdivided into sub-practices which enables to examine the different aspects of the business in more detail. This research project provides information regarding family owned businesses and what makes them different from other forms of business ownerships. The important factors for business growth are elaborated on, of which managerial practices play a key role. The four groups of managerial practices are discussed and why they are important for the growth of any business. Due to the lack of existing research regarding family owned businesses in Kosovo, the focus will be on the correlation of the success of large family owned businesses in Kosovo and the successful implementation of managerial practices.

The analysis is based on primary data, namely through semi-structured in depth interviews with owners/managers of six medium and large sized family owned businesses in Kosovo, each employing 50 to 420 employees. The results indicate that the interviewed family owned businesses score high on each sub-practice of the four main groups of managerial practices. At the same time, these businesses marked a rise in sales during the period of 2015 to 2019, indicating growth and success, as well as a correlation with the successful implementation of managerial practices.

Acknowledgments

I would like to express my deepest gratitude to every person who has helped me throughout this research project. The biggest thank you goes to my two professors, Venera Demukaj and Fadil Sahiti for their helpful guidance from the beginning of this journey. I would also like to thank all professors at RIT Kosovo who have shared their knowledge and encouraged me to always do my best.

Also, I would like to thank the interviewees of the companies for their time and valuable insight given regarding the managerial practices they utilize in their businesses. I want to thank my professor Venera Demukaj and my family for helping me get in touch to the companies that took part in the study.

Last but not least, I want to thank my parents, Shpresa and Blerim and my sisters, Fjolla and Erblina as well as my dear friends for the continuous support and motivation given in my years of study. Everything I have achieved until now and hope to achieve in the future is because of you and dedicated to you. Thank you!

Contents

Abstract	1
Acknowledgments.....	2
List of Acronyms	5
List of Figures	5
List of Tables	5
List of Graphs	6
1. Introduction	7
2. Literature Review	8
2.1 Defining Family Owned Businesses	8
2.2 Dimensions of Family Owned Businesses	9
2.3 Factors affecting growth of businesses	11
2.3.1 Organizational, financial and managerial practices.....	11
2.3.2 Organizational Capabilities vs Managerial Practices	14
2.4 Managerial Practices	14
2.4.1 Why are managerial practices important for businesses?	16
2.4.2 Management practice as an important business growth factor	17
2.5 The private sector in Kosovo	17
2.5.1 The structure of businesses in Kosovo	20
2.6 Family Owned Businesses in Kosovo	22
2.7 The relevance of Family-Owned Businesses in the Economy	24
2.7.1 Case of UK	24
2.7.2 Managerial Practices in family owned businesses in Bulgaria.....	27
2.8 Managerial practices of family owned businesses in Kosovo.....	28
3. Methodology.....	29
3.1 Primary data	29
3.2 Secondary data	29
3.3 Limitations	30
4. Findings	30
4.1 Data from the Interviews.....	30

General information regarding the companies	31
4.2 Managerial practices	33
4.2.1 Operations.....	34
4.2.2 Monitoring.....	36
4.2.3 Targets	39
4.2.4 Incentives.....	41
4.3 Performance: Sales.....	45
4.3.1 Growth of sales 2015-2019.....	46
4.3.2 Decline of sales 2015-2019	46
4.4 Main findings	46
4.4.1 Introduction of new aspects of manufacturing/service/transportation	47
4.4.2 Rationale for introduction of new aspects of manufacturing/services/transportation ..	47
4.4.3 Process problem documentation.....	47
4.4.4 Performance tracking.....	48
4.4.5 Performance review.....	48
4.4.6 Performance Dialog.....	48
4.4.7 Consequence Management.....	48
4.4.8 Performance clarity and comparability.....	48
4.4.9 Target balance.....	49
4.4.10 Targets interconnection	49
4.4.11 Targets time horizon.....	49
4.4.12 Targets area stretching.....	49
4.4.13 Rewarding high performance	50
4.4.14 Removing poor performers.....	50
4.4.15 Promoting high performers.....	50
4.4.16 Attracting human capital	50
4.4.17 Retaining human capital-talent	50
5. Recommendation and Conclusion	51
6. References	53
7. Appendices	55
7.1 Appendix 1 – Interview Questions.....	55
7.2 Appendix 2 – Consent Form	62

List of Acronyms

FOB – Family Owned Business

GDP – Gross Domestic Product

KAS – Kosovo Agency of Statistics

RBV – Resource Based View

SME – Small and Medium Enterprises

WB – World Bank

List of Figures

Figure 1 – The Systems Theory Model of Family Business

List of Tables

Table 1- Number of registered enterprises by sector of economic activity, type and number of employees in Q2 2019.

Table 2- The number of SMEs in Q2 2019.

Table 3. Industry distribution of family businesses in the UK, 2016.

Table 4- Founders of the companies, their academic qualifications, number of employees and their academic qualifications.

Table 5- Managerial practices of companies: Operations

Table 6- Managerial practices of companies: Monitoring

Table 7- Managerial practices of companies: Targeting

Table 8-Managerial practices of companies: Incentives

Table 9- Growth of sales 2015-2019

Table 10- Decline of sales 2015-2019

List of Graphs

Graph 1- Kosovo's Gross Domestic Product.

Graph 2- Distribution of employees and those that were self-employed with respect to economic sector during 2008 to 2017.

Graph 3 - Number of registered and terminated enterprises by year.

Graph 4 - Structure of enterprises by size in Q2 2019.

1. Introduction

Family owned businesses are considered the backbone of a country's economy due to the high number of people employed in these businesses and high contribution to the GDP (IFB Research Foundation, 2018). In Kosovo, more than 85% of businesses are family owned (Nixha, Hashani, Abdixhiku, & Mustafa, 2015). They are of different sizes and operate in every industry. According to KAS a large portion of these businesses operate in the wholesale and retail sector and manufacturing (KAS, 2019). Besides the economic factors that have taken part in the growth of the businesses, there are several other important factors that have helped these businesses grow from a management point of view. The latter analyzes human capital resources, tangible capital resources, organizational capabilities and management practices, when it comes to examining the growth of the companies and what led to it. Many empirical studies show that managerial practices play a key role for increasing profits and hence growth of the company (Penrose, 1959; Barney, 1991; Mahoney, 1995). The proponents of this view, argue that capital owned by a company and the technology utilized does provide a positive influence on the growth of the company, however, as pointed out by Greenwald (2004), the decision of applying the aforementioned factors in a sustained and systematic way is a function of the management in the company. Further, Greenwald (2004) argues that a large part of improvement in operating efficiency is attributed to the minor and consistent benefits from daily managerial interventions than from the significant investments in capital or utilization of newer technology.

Bloom and Van Reenen (2007) developed a model of management practices and grouped them into four main areas, more specifically: operations which is subdivided into three practices, targets which is subdivided into four practices, monitoring and incentives which are subdivided into five practices each. Analyzing these four main areas of managerial practices provides an overview of the company's abilities in managing their operations, monitoring employees, target setting and incentivizing their employees.

There is lack of research regarding family owned businesses in Kosovo in general. The importance of these businesses is significant and what drives to their success is of interest from a management perspective. As such, this study aims at *providing insight into the correlation between the*

successful implementation of managerial practices of medium to large family owned businesses in Kosovo and the success of these companies, more specifically the increase of sales and growth of the business.

2. Literature Review

This section aims at giving some background information regarding how Family Owned Businesses-henceforth FOBs- have been defined, the dimensions of FOBs, factors affecting the growth of the business, more information regarding managerial practices and why they are important. Additionally, more will be elaborated on regarding the private sector in Kosovo, the structure of the businesses and current knowledge regarding FOBs in Kosovo. In order to get a more insightful image of the importance of FOB's, the case of UK will be discussed due to the high number of FOBs and their importance on the economy of the country, and lastly an overview of managerial practices of FOB's in Bulgaria will be presented in order to have an overall image on how they are applied in another Balkans country and because it is one of the few analyses conducted on the managerial practices in this region.

2.1 Defining Family Owned Businesses

There are various definitions from different researchers and authors on what a FOB is. However, they ultimately define it as “an enterprise in which two or more family members own 15% or more of the shares, family members are employed in the business, and the family intends to retain control of the firm in the future” (Poza & Daugherty, 2010). Not considering the ownership structure of the business, what differentiates FOBs from others, which are usually managed by managers not related to the family, are the values, intentions and the interactions of the owners coming from the same family (Chua, Chrisman, & Sharma, 1999). FOBs usually have their roots in entrepreneurial companies. The transition occurs when family members start joining the company, and that is when the nature of the company, the competitive profile and challenges change. The nature of FOBs changes over the years as there are numerous large-scale family businesses known worldwide such as Levi Strauss, LG Electronics, Casio, Nordstrom, Ikea etc. Nevertheless there are also hundreds of thousands of other successful FOBs that work in every sector and have profits

because they offer what customers want (Poza & Daugherty, 2010). Zaki, Rahayu & Susilowati (2018) suggest that what makes an FOB is when a family member is involved directly in business decision making, and together with the other involved family members strengthen the business activities and make it successful.

Considering the various definitions suggested, there are common criteria applied to an FOB. According to Poza & Daugherty (2014), those are as follows:

1. Family member/s must have an ownership control on the business of 15% or more.
2. Family member/s must have strategic power/influence on the firm's management, either by being active in the management duties, advising or being a board member or by owning shares.
3. Family member/s should have concerns for the family relationships.
4. The aim of continuing the business across the future generations.

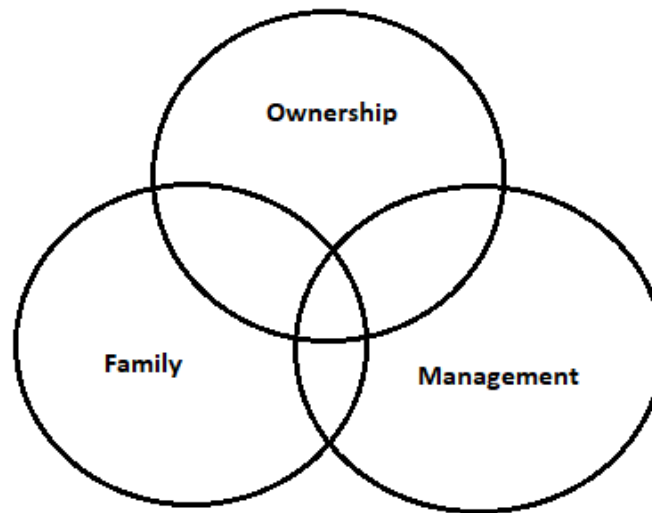
FOBs are founded upon and led with commitment, loyalty and family values which the future generations follow. Nevertheless, according to a survey almost 85% of FOBs cease to exist before the fourth generation (Gulzar & Wang, 2010). There may be numerous reasons why this happens, however in family owned and controlled businesses, the most dominant reason is a failure in succession planning (Poza & Daugherty, 2010). That is why, FOB's must be careful and plan ahead on who is going to be responsible for which tasks when the current owner will leave her/his position.

2.2 Dimensions of Family Owned Businesses

FOBs are made up of the coexistence of three independent, interacting and overlapping subsystems: the family, ownership and management (Davis and Summer, 1983, as cited in Poza & Daugherty, 2010). These three subsystems, as seen in Figure 1 maintain their boundaries with respect to the other subsystems as well as the external environment in which the family business functions (Alderfer, 1976, as cited in Poza & Daugherty, 2010). In order for the company to operate optimally these three subsystems have to be incorporated so that the overall system works uniformly (McCollum, 1988, as cited in Poza & Daugherty, 2010). The model indicates that an

FOB can be understood in a clearer way as a multifaceted social structure where the integration can be attained by reciprocal modifications in between the subsystems. As a result, these subsystems are expected to have significant impacts on one another, the family subsystem on the management and ownership subsystems and the other way around.

Figure 1 – The Systems Theory Model of Family Business



Source: Adapted from Poza, E. J., & Daugherty, M. S. (2010). Family Business. South-Western: Cengage Learning pp. 8

According to Poza & Daugherty (2010), there are three dimensions in which FOBs are divided. There are *Family-First Businesses* in which being an employee in the family business is a birthright. The latter brings into discussion the stereotypes of nepotism and whether these people really deserve a place in the business. In such businesses, the primary reason of existence are the purposes of the family, and the perks that get transferred to the members of the family are significant whether they are deserved or not. Second, there are *Management First Businesses*, in which in order to become an employee in the company, fulfilling the work experience outside of the business first is required. Hence, family and non-family employees are treated the same in

terms of employability, compensation, responsibilities etc. And lastly there are, *Ownership-First Businesses* that focus on “investment time horizons and perceived risk” (Poza & Daugherty, 2010). “When shareholders come first, the priority is risk adjusted economic returns or owner rents” (Poza & Daugherty, 2010). In such businesses the financial results are evaluated in shorter time frames, and when family shareholders who are not active in the business expect high returns in a shorter time span, they may get in the way of an effective management of the business’ long term goals by improperly interfering. This complex system composed of these subsystems and their different goals and operating practices may make FOBs prone to blurred boundaries among the family, management and ownership subsystems. As such, business owners and managers must be careful and optimally join these three intertwined subsystems in a manner that the greater system will be more effective and more prosperous in the quest of its goals (Poza & Daugherty, 2010).

2.3 Factors affecting growth of businesses

2.3.1 Organizational, financial and managerial practices

Economic growth is mainly driven by the growth of the companies operating in a country. This is thanks to the accumulation of capabilities which in turn generate variety in the market, thus leading to higher incomes and more division of labor. Sahiti (2019) argues that in the conventional approach, a firm aims at maximizing its profits and decreasing its costs of production. Consequently, those that succeed in these two aspects experience higher growth in profits and aim at expanding company activities. There are several theories that researchers have taken into account while studying what drives the success of a firm. *The Endogenous growth theory* provides evidence that technology is closely related to productivity and growth, however, this differs widely between countries and companies. On the other hand the *Resource-based View* (RBV) suggests that what produces growth is how a firm chooses to utilize the inputs at hand (Collis & Montgomery, 1995). The idea of capabilities of a firm has been discussed by many researchers. Barney (1991) states that the firms in an industry differ from one another in the strategic resources they employ internally. As such, these resources can in turn help the company to grow or stagnate. These resources have some distinctive features: they bring value to the company, are exceptional and cannot be substituted for others (Sahiti, 2019). Additionally, there are two types of firm

capability concepts, those that are the underlying capabilities, which are internal to the firm, and those that are revealed to outsiders which reflect the outcomes in terms of productive capacities. All of these studies reveal company capabilities' qualities that are similar, such as: being unique to the company, internal and knowledge-based (Sahiti, 2019).

There are three factors internal to the company, which affect the performance of companies. First, is the "conventional micro-economic" approach that the growth of a company is primarily affected by the efficient utilization of inputs and resources that the company owns (Sahiti, 2019). These refer mostly to the tangible features which include the technology utilized, the skills and knowledge of human capital as well as finances. Second, the organizational capabilities of a company include the services that are employed by the companies. They can be explained as complex structures of coordination of people or human capital in the company and the other resources that are employed (Grant, 2002, as cited in Sahiti, 2019). The main factors included in organizational capabilities, include the dynamic capabilities, corporate entrepreneurship, networking, marketing and teamwork (Sahiti, 2019). They are very unique to each company since they are dependent on the path chosen by the company and are not available to acquire in the marketplace.

Dynamic Capabilities

Dynamic capabilities refer to how firms identify and take advantage of opportunities, what kind of knowledge sources they use and the mechanisms used to achieve high results within the business (Sahiti, 2019). It refers to how capable are firms of making use of opportunities in the market and how aware are they to understanding and fulfilling customer needs.

Corporate entrepreneurship

Overall organizational innovations are considered to be those that are new or substantial modifications to the structure of the firm and also the implementation of new ways to improve the processes involved at increasing quality and efficiency. For example, a study on manufacturing firms in Kosovo, shows that companies who tend to be more innovative in terms of management, services or products are more successful than their counterparts (Sahiti, 2019).

Networking Capabilities

Of the most outstanding abilities a firm can have is networking skills and maintaining the network. The interpersonal and inter-organizational relationships are very important for efficient operations. As such, they are seen as enabling a way of access to a range of resources such as market changes, trends, demand changes etc. Successful companies pay more attention while selecting their partners, suppliers and hiring skilled employees as well.

Marketing Capabilities

Living in the era of technological improvement and social media, marketing capabilities are thought to be crucial for greater performance (Day, 1994). The marketing capabilities of a company may be underestimated as in how much profits they may bring to the company, and its effect is significant for the growth of the company.

Teamwork Capabilities of Firms

Teamwork is considered to be a pertinent aspect that leads to competitive advantage of a company (Nonaka and Takeuchi, 1995, as cited in Sahiti, 2019). Many other authors also emphasize the importance of team work in a company, defining it to be a very distinctive creative source that leads to competitive advantage (Barney, 1995).

Organizational capabilities can put a company in a competitive advantage due to the aforementioned factors, but also due to their social complexity, the fact that they are internally generated and cannot be substituted. Last but not least, managerial practices are considered to be the most important differentiator of a company's performance. They are defined as a package of operating, target, incentive and monitoring practices (Bloom & Van Reenen, 2007). In comparison to the two aforementioned factors, managerial practices are more intangible and differ in how they deal with the internal procedures, processes and systems which are internally established by the company. Managerial practices are the focus of the study and as such they will be explored in more detail later on. Taking into consideration that organizational achievements are key to a company's upgrading, which in turn is key to its growth, these three factors, more specifically,

inputs/resources, organizational capabilities and managerial practices are important in understanding the success of a company (Lazonick, 2013).

2.3.2 Organizational Capabilities Vs Managerial Practices

According to the study conducted by Sahiti (2019) regarding manufacturing companies in Kosovo, in comparison between the organizational capabilities and managerial practices, the latter shows to play a more important role in the performance of a company. In terms of operations, there was not much difference, however, monitoring practices, targets and incentives showed to have a higher effect on company performance. More specifically, tracking performance, communicating targets and incentives. In addition, Sahiti (2019) argues that considering the five indicators of monitoring (which will be elaborated in more detail later on), only three of them, namely performance tracking, dialogue and management of consequences are the three areas where high-growth firms succeed in, or apply best. Managerial practices have shown to be the key capabilities that influence a company's growth. More specifically, the companies who pay attention to reviewing business performance in order to improve and those that keep track of employee performance and communicate it are more prone to become successful. Organizational capabilities on the other hand, more specifically dynamic capabilities and business networking also have a positive effect on company growth.

2.4 Managerial Practices

The studies conducted on developed and less developed economies around the world, suggest that the quality of management practices is an important feature of the performance of a company. As such, managerial practices are strongly correlated to the productivity, profitability and survival of the company (Bloom and Van Reenen, 2011, as cited in Sahiti, 2019). The variation of management practices among firms may be a result of: higher competition in the industry which might lead some firms to go out of business and some firms to strengthen their management practices conducted inside the business; and in the case of FOBs, they tend to not be managed correctly due to the leadership which is family-chosen. In this way, there can be different managerial practices that can be considered as having an impact on the success of a firm. In organizations, where there is a high-quality of managers or effective supply of effort, there tends

to be better managerial practices. Moreover, the same applies to organizations which use performance tracking of the employees and where the promotion of workers is made solely on the analyzed performance, because productivity will increase and a firm is said to be well managed (Bloom & Van Reenen, 2007).

Bloom and Reenen (2007), suggest four groups of managerial practices, namely operations, monitoring, targets and incentives, each with its own sub-practices, which are explained in more detail below. They are considered to be more intangible in that they deal mostly with internal processes that are created inside the business. Additionally, they play an important role in differentiating one businesses' system, procedures and processes from another in the same industry.

Operations

According to Bloom and Van Reenen (2007), this area of management relates to the introduction of new techniques of operations in the business, whether it is new manufacturing innovations, offering services or transportation of products. Additionally, it analyzes the rationale for including these new technologies, whether they are based on the competitors' usage of these new technologies or solely based on business objectives. Lastly it looks at the process problems documentation and whether the business is consistent in recognizing potential problems throughout operations.

Monitoring

This area looks at the performance tracking of employees from management, whether it is continually done or is it ad-hoc and incomplete. Additionally, it looks at the performance clarity and comparability in the sense of whether the performance measures being clearly defined and made public. Performance review is also another area which is analyzed with the goal of reviewing performance continually with the high expectations of continually improving. Moreover, performance dialog aims at analyzing whether the purpose, agenda and follow-up steps are clear to all parties during the conversations conducted while reviewing performance and consequence management looks at how companies deal with the employees' failure to achieve objectives,

whether they retrain and reassign them to other jobs or they lay them off (Bloom & Van Reneen, 2007).

Targets

Bloom and Van Reneen (2007) state that his area focuses more on what drives the performance of the company. Whether the company sets financial or non-financial targets as more important. Moreover, it looks at whether they base their goals on accounting value or shareholder value. Additionally, it looks at whether the company places more short-term targets in order to achieve the long-term goals, the short ones serving as a staircase to the latter. And lastly it aims at analyzing whether the goals they set are easy to achieve throughout the whole business units or are hardly attainable but in the end achievable.

Incentives

This area focuses more on the good and poor performing employees. It aims at analyzing on whether they reward their employees solely on performance levels or are they equally rewarded irrespective of their performance. Moreover, it looks at whether the poor performing employees are laid off or given chances to retrain and whether the high performing employees are promoted based on tenure or performance levels. Additionally, it looks at whether the companies offer more reasons for working at their own companies instead of the competitors' companies and whether they do little or everything to retain the top talent in the company if they seem to leave soon (Bloom & Van Reneen, 2007).

2.4.1 Why are managerial practices important for businesses?

By using specific managerial practices, managing internal resources is easier for companies. They are considered a form of organizational technology, and a bundle of techniques that are adaptable and transferable and as a whole provide an efficient as well as balanced management pattern (Sahiti, 2019). In addition, they provide the specific operating, targeting, monitoring and incentivizing methods based on the functionality of the company. Utilizing these techniques, will enable companies to control the success of the company and offer them superior performance.

2.4.2 Management practice as an important business growth factor

The importance of company success, hence growth of the business, on the economic development, innovation activities and employment is the main reason why it is of key interest in many studies. Many empirical studies conducted by Penrose (1959), Barney (1991), Mahoney (1995), have argued that the role of managerial practices is key to generate profits. These and many other studies suggest that the quality of management practices are highly correlated to the performance of the company. The supporters of the management practices approach also claim that even though technology plays a key role in the performance of the firm, it is the management's function that makes the decisions to apply this technology (Greenwald, 2004, as cited in Sahiti, 2019). Bloom and Van Reenen (2010) conducted a study that included 6000 manufacturing companies that were medium-sized across North and South America, Asia and Europe, and they examined the correlation between the company's performance and the managerial practices used. They found that better performance in terms of higher productivity and higher growth rates was strongly related to the management practices used. Furthermore, they argue that family owned businesses were commonly not managed as well as family owned businesses where the CEO was not a member of the family (Bloom & Van Reenen, 2010). Additionally, academic education and experience of the managers who led the companies is strongly correlated to the successful management practices employed. As explained, managerial practices play a significant role in the success of a company and should be carefully implemented in order to draw high results such as higher sales, more profits, more investments etc.

2.5. The private sector in Kosovo

Kosovo's economy has grown consistently compared to the average growth of other Balkan countries. According to data provided by the World Bank, during 2009-2018 real GDP grew by 3.5%, and this growth is expected to increase by another 4% by the end of 2019 (The World Bank in Kosovo, 2019). In general, it's an economy driven by consumption, exports of services and mainly supported by investments.

Graph 1. Kosovo's Gross Domestic Product.

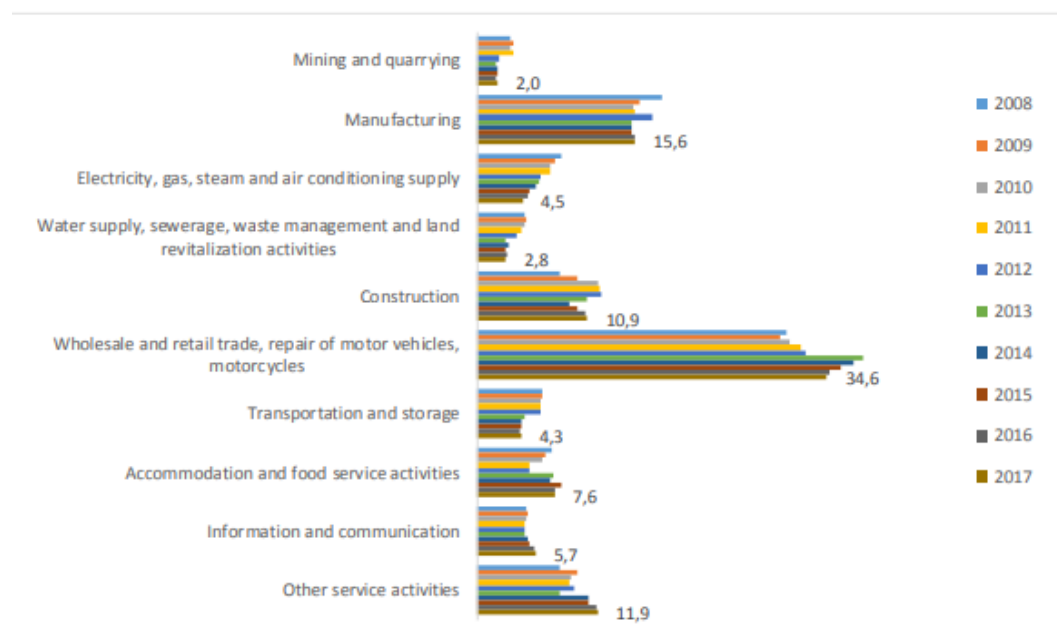


Source: Adapted from TradingEconomics.com/Kosovo Agency of Statistics

According to the report published for the year 2018 by KAS (Kosovo Agency of Statistics), “the total number of active enterprises for the economic sectors covered by the survey within the observed period was 35,540” (KAS, 2019). With respect to the sectors in which these enterprises operated in, 45.4% were in the trade sector, 14.8% were in the business services, 13.9% were in the manufacturing (processing industry) sector, 10.4% were in the accommodation activities and food service activities and the rest consisting of transport, information and communication, storage, extractive industry, construction and so on (KAS, 2019).

With respect to the employment in these sectors (those who took part in the research), the overall number reaches 177,852 employees. The latter, more specifically 33.9% are employed in the trade sector, 15.3% are employed in the manufacturing (processing industry) sector, 12.4% are employed in the business service sector and the rest are employed in construction which account for 11.5%, accommodation accounts for 7.8% and so on.

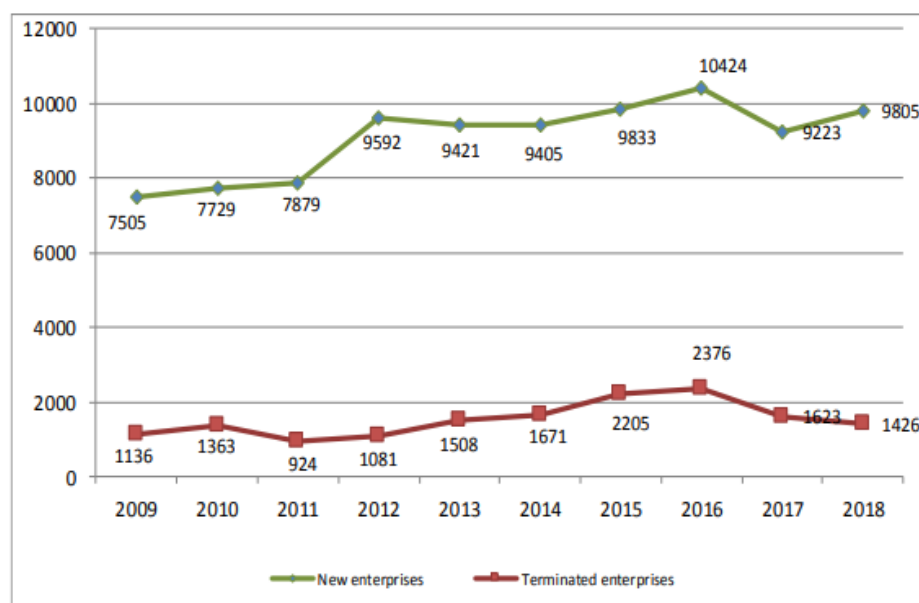
Graph 2. Distribution of employees and those that were self-employed with respect to economic sector during 2008 to 2017.



Source: Adapted from KAS. (2018). Results of the Structural Business Survey, 2017. Kosovo Agency of Statistics.

According to the Statistical Repertoire of Economic Enterprises in Kosovo, a total number of 2655 enterprises were registered only in the second quarter of 2019. The registered businesses' activities consisted mainly of retail and wholesale trade, followed by manufacturing, construction etc. (KAS, 2019). The number of registered businesses has increased over the years as shown in the figure below. Each of these businesses create employment and participate in the country's economic growth. In part, a factor that may have assisted small economies, such as the one of Kosovo's, to grow is globalization. The latter enables the businesses to improve their expansion opportunities if they are competitive and well incorporated into the world market and as such benefit from the economies of scale and trade their products to wealthy foreign customers (Cojocaru, 2017). These opportunities have opened space for new businesses to benefit, and as can be seen from Graph 3 we can see a steady increase in the registered businesses in Kosovo from 2009 to 2018.

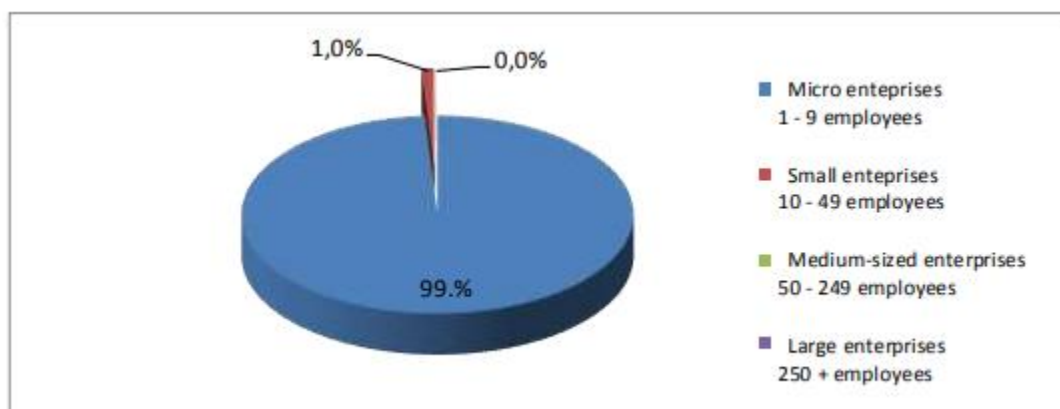
Graph 3. Number of registered and terminated enterprises by year.



Source: Adapted from KAS. (2019). Statistical Repertoire of Economic Enterprises in Kosovo Q2 2019. Prishtine: Kosovo Agency of Statistics.

2.5.1 The structure of businesses in Kosovo

The structure of these enterprises registered during Quarter 2 of 2019 is micro enterprises. Overall, in Kosovo more than 90 percent of the companies are micro-companies which employ 1 to 9 employees (Cojocar, 2017). Based on the data reported by the KSA, 99% of the businesses registered during Quarter 2 of 2019, were micro enterprises and 1 % were small enterprises employing 10 to 49 employees on average.

Graph 4. Structure of enterprises by size in Q2 2019.

Source: Adapted from KAS. (2019). *Statistical Repertoire of Economic Enterprises in Kosovo Q2 2019*. Prishtine: Kosovo Agency of Statistics.

The table below shows the number of registered business by type of ownership, whether it is an individual business or non-individual business, which refers to general partnership, limited partnership, limited liability enterprises, foreign business organizations, social enterprise etc. The information regarding the economic activity and number of employees is shown in the table as well.

Table 1. Number of registered enterprises by sector of economic activity, type and number of employees in Q2 2019.

Seksionet e veprimtarive ekonomike	Total	Category of number of employees					
		individual businesses			non-individual businesses		
		Total	1-4	5 +	Total	1-4	5 +
Total	2655	1135	1130	5	1520	1423	97
A Agriculture, forestry and fishing	0	-	-	-	-	-	-
B Mining and quarrying	2	-	-	-	2	2	-
C Manufacturing	479	265	265	-	214	204	10
D Electricity, gas, steam and air conditioning supply	5	-	-	-	5	4	1
E Water supply, sewage, waste management and remediation activities	9	2	2	-	7	5	2
F Construction	247	65	62	3	182	160	22
G Wholesale and retail trade, repair of motor vehicles and motorcycles	590	209	208	1	381	361	20
H Transport and storage	76	50	50	-	26	25	1
I Accommodation and food service activities	359	183	182	1	176	160	16
J Information and communication	149	48	48	-	101	96	5
K Financial and insurance activities	17	6	6	-	11	11	-
L Real estate activities	18	2	2	-	16	15	1
M Professional, scientific and technical activities	236	78	78	-	158	152	6
N Administrative and support service activities	151	41	41	-	110	106	4
O Public administration and defense	5	1	1	-	4	4	-
P Education	36	14	14	-	22	21	1
Q Human health and social work activities	59	19	19	-	40	37	3
R Arts, entertainment and recreation	50	33	33	-	17	16	1
S Other service activities	167	119	119	-	48	44	4

Source: Adapted from KAS. (2019). *Statistical Repertoire of Economic Enterprises in Kosovo Q2 2019*. Prishtinë: Kosovo Agency of Statistics.

2.6. Family Owned Businesses in Kosovo

There is a large number of studies conducted on the capabilities of companies that lead to growth in developed economies, however for developing economies such as that of Kosovo, studies are scarce. Among the several aspects that are taken into consideration when analyzing the growth of the FOBs, the management practices are of specific interest to this study. FOBs represent one of the oldest business organization ways and it has remained an important aspect of the economic development of a country. When analyzing the economic structure of the private sector in Kosovo, a considerable portion is composed of FOBs. The latter, range from small, medium and large sized

businesses depending on the number of years they have been operating in the country and their success at expanding. According to the Kosovo Agency of Statistics the number of small, medium sized businesses registered in 2019 was 2,655, Out of which 1135 were individual businesses and 1520 were non-individual companies. Table 1.1 represents the exact numbers. The activities of these businesses are various such as: production, transportation, wholesale and retail trade etc.

Table 2. The number of SMEs in Q2 2019.

Classification	Number of employees	Number of businesses	%
Micro enterprises	1 - 9 employees	2627	98,9%
Small enterprises	10 - 49 employees	27	1,0%
Medium-sized enterprises	50 - 249 employees	1	0,0%
Large enterprises	250 + employees	0	-
Total		2655	100,0%

Source: Adapted from KAS. (2019). Statistical Repertoire of Economic Enterprises in Kosovo Q2 2019. Prishtinë: Kosovo Agency of Statistics.

Globally FOBs are considered to be the main contributors in the economy of a country and remain as the dominant form of business structures worldwide (IFB Research Foundation, 2018). Specific data/figures on the number of FOBs in Kosovo are not available and the only source regarding this topic is Nixha, Hashani, Abdixhiku, & Mustafa (2015). In Kosovo, FOBs make up about 85% of the businesses, and as mentioned above, most of them are of micro, small and medium sized businesses (Nixha, Hashani, Abdixhiku, & Mustafa, 2015). Not taking into consideration their size, these FOBs face various challenges that are intrinsic to their structural organization. They may be external to the organization or internal. The focus of this study however, is on the internal capabilities, more specifically the managerial practices that these FOBs employ in order to overcome the challenges and help the business to grow even more. Due to the lack of research conducted in Kosovo regarding FOBs in general, and specifically the implementation of successful managerial practices and the correlation with the success of the business, this study aims to

contributing at filling this gap, by leaving space for further research into more detail and with a larger number of companies involved.

2.7 The relevance of Family-Owned Businesses in the Economy

The economic value of FOBs is significant in every country. Even though at differing scales, FOBs may contribute to an important amount in the country's GDP yearly and increase the employment rate as well. As an illustration of this significant contribution to the economy, the case of the UK will be explored. In addition, as research regarding FOBs in the Balkans is scarce, the case of Bulgaria will be discussed which serves as an overview of its importance in this region, including Kosovo as well.

2.7.1 Case of UK

The value of FOBs' economic contribution is measured by the number of companies, employment, turnover, the gross value added and paid taxes (IFB Research Foundation, 2018). In the UK, FOBs account for 87.6% of all private companies and account for approximately 46.5% of private sector employment (IFB Research Foundation, 2018). Additionally, they account for a substantial part of UKs total revenue, more specifically in 2016, FOBs earned £1.4 trillion in total revenue and accounted for 35.2% of the total private sector turnover earned. In general, FOBs are highly important for the country's output and create a considerable proportion of its GDP.

Characteristics of the UK family business sector

FOBs are present in every area of the economy. In 2016, real estate, renting and business activity accounted for the largest share with 25.1% of the total, followed by construction with 18.9%, transport, storage and communications with 12.2%, wholesale and retail trade, repairs with 9.8% and so on (refer to Table 3) (IFB Research Foundation, 2018). In the private sector, the proportion of FOBs is much higher in certain sectors, in comparison to others. In 2016, the highest number of FOBs were in the agriculture and extraction sector with a 96.1% share, followed by construction with a 93.4% share. There have been several arguments as to why FOBs are more concentrated in some industries. The number of FOBs tend to decrease in industries where external finance is

required in order for the business to grow, as such a higher number of FOBs is in industries which rely less on capital spending (Franks et.al. 2011, as cited in IFB Research Foundation, 2018).

Table 3. Industry distribution of family businesses in the UK, 2016.

Sector	Number of family firms	Share of all family firms (%)	Number of private sector firms	Family firms as share of private sector firms (%)
Real estate, renting and business activity	1,208,028	25.1	1,389,120	87.0
Construction	910,769	18.9	974,625	93.4
Transport, storage and communications	589,133	12.2	651,710	90.4
Wholesale and retail trade, repairs	470,992	9.8	544,490	86.5
Other community, social and personal services	444,603	9.2	555,420	80.0
Private education, tutoring and training services	285,793	5.9	312,220	91.5
Health and social care services	277,450	5.8	347,700	79.8
Manufacturing	235,067	4.9	265,735	88.5
Hotels and restaurants	153,387	3.2	185,510	82.7
Agriculture and extraction	151,009	3.1	157,075	96.1
Financial services	70,655	1.5	89,215	79.2
Utilities and waste management	17,170	0.4	24,850	69.1
Total	4,814,055	100.0	5,497,670	87.6

Source: Adapted from IFB Research Foundation. The state of the nation-UK Family Business Sector 2017-18.

Concerning the location in which these FOBs operate mostly, 16.8% of FOBs were operating in London and 16.4% in the South East. Whereas, the highest concentration of FOBs, with a 93.6% of all private companies, were in Wales (IFB Research Foundation, 2018). When the regional and country distribution of FOBs by size were analyzed, micro, small and medium sized companies were more prevalent and evenly spread across the country in 2016. Additionally, the FOBs operating in London and South East employ the largest number of people, more specifically 1.9 million people in the year 2016 (IFB Research Foundation, 2018).

In the UK, FOBs are legally organized in various structures. The most common structure is that of sole proprietorships, companies who are owned by one person, which amounted to 3.2 million

sole proprietorships or 66% of all FOBs in 2016. Additionally, 1.3 million, or 26.9%, FOBs were incorporated companies and approximately 340,000, or 7.1%, were partnerships (IFB Research Foundation, 2018). The legal organization of FOBs also varies by size, whereby micro companies with no employees are organized as sole proprietorships. The micro and small firms with employees, were usually organized as partnerships. Whereas, incorporated companies are medium sized companies which employ a larger number of employees (IFB Research Foundation, 2018).

Regarding the small and medium sized FOBs, survey findings reveal that they are more dependent on the domestic economy than non-FOBs (IFB Research Foundation, 2018). This survey additionally indicates that these businesses have had positive turnover rates, where 34.2% of small and medium sized FOBs claimed they had positive turnover in the previous 12 months. If analyzed by size, the companies with more employees reported to have had higher turnover rates than those with a lower number of employees (IFB Research Foundation, 2018). Regarding their hiring decisions, 41.1% of small and medium sized FOBs in 2016 stated that they had a larger workforce compared to 12 months before, and 23.7% stated that they had a lower number of employees compared to 12 months before. In general, FOBs reported to hire employees at a faster pace than non-FOBs compared to the year prior the survey (IFB Research Foundation, 2018).

Lastly, regarding the FOBs ambitions for the next year, 63.1% stated they aimed at growing their sales during the next three years (IFB Research Foundation, 2018). This is a lower percentage compared to non-FOBs where 71.5% of them aimed to grow the sales during the next three years. This difference may be because FOBs have slightly different objectives for the business such as those which are not-profit maximizing and those that aim to maintain stability in the business and succession (IFB Research Foundation, 2018). Results from the survey in 2016, state that among the most stated strategies for achieving growth in the business among small and medium sized FOBs were: increasing the skills and capabilities of their workers, increasing the leadership skills of their managers, capital investment in machinery and plant (medium sized companies), introducing new products and applying new practices (micro sized companies) etc. (IFB Research Foundation, 2018). Overall, these specific characteristics and data provide a more comprehensive insight regarding the importance of FOBs in the economy of a country, in this case that of the UK.

Additionally, these survey findings imply that the objectives these FOBs set, strategies they use to grow the business and how well these FOBs are managed, play an important role in making them successful.

2.7.2 Managerial Practices in family owned businesses in Bulgaria

FOBs have a crucial role in the growth of economies all around the world, especially in Eastern and Central Europe. Studies conducted regarding FOBs in the Balkans, state that they are of crucial importance as well as account for a large percentage of all enterprises. More specifically, a survey conducted in Bulgaria revealed that almost 42% of enterprises are family owned and they employ near to 28.3 % of the total workforce. In addition they provide for more than 17% of all products and services produced in Bulgaria (Yordanova, Vladimirov, & Simeonova-Ganeva, 2015). Managerial practices of FOBs are of importance in Bulgaria, because until recently in history, private businesses were not allowed, and all businesses were state-owned. The Bulgarian economy has achieved stability and growth, nevertheless, there is lack of competition between companies due to macro and micro-economic levels. In order to achieve this competition, at the microeconomic level, one of the most important factors are managerial practices. This is because it will enable them to deal with various economic challenges globally (Vladimirov, 2011). Due to the overlap of management and ownership in family businesses, it may decrease the need to monitor the opportunistic behavior of managerial positions, and in turn may affect the planning of the business and formal strategy compared to non-family owned businesses (Jorissen, Laveren, Martens, & Reheul, 2005). The empirical findings from the study conducted in Bulgaria regarding the managerial practices of FOBs and non-family owned businesses offer rather interesting insights. The family businesses that operate in the manufacturing sector, are more likely to have medium and short term business plans. This shows that FOBs are not affected by the family factor in reaching targets. In addition to reaching these goals, family businesses have invested in trainings and have offered trainings to their employees to increase their skills and productivity. The empirical research concluded that there were little differences between family and non-family owned businesses in regards to introduction of new products, or technologies, utilization of

medium and short-term plans, adoption of safety and quality standards, as well as offering trainings to their employees (Yordanova, Vladimirov, & Simeonova-Ganeva, 2015). The only differences found were between large and small enterprises, where the large SMEs studied were more likely to offer employee trainings, introduce new innovated products, use technology to enhance their operations such as internet applications. Whereas smaller SME's were more likely to invest in training of the employees (Yordanova, Vladimirov, & Simeonova-Ganeva, 2015).

The comparison between Kosovo and UK or Bulgaria is not thoroughly adequate because of the different sizes of the countries, the levels of development and the political differences, however these two examples were provided to hint the contribution of FOBs in the growth of the economy of a country as well as their significant presence in the private sector of a country.

2.8. Managerial practices of family owned businesses in Kosovo

The existing research on FOBs has been only conducted regarding the corporate governance of family owned businesses (Nixha, Hashani, Abdixhiku, & Mustafa, 2015) and the profile of family businesses in Kosovo (Gashi & Ramadani, 2013). Family businesses are considered the most effective, functional and beneficial for the economy of the country as they are the dominant form of conducting business (Gashi & Ramadani, 2013). There are no institutional frameworks or legislation regarding FOBs, since in Kosovo FOBs are perceived more as sociological phenomena rather than a legal category (Gashi & Ramadani, 2013). In general, the FOB sector has been undervalued for its importance on the economic development of Kosovo, both in terms of their contributions to the GDP as well as employment of people. Nevertheless, as mentioned FOBs account for a large percentage of the private sector, and as such they have grown and have become successful with each passing year. The focus of this study will be to see whether we can correlate the success of the some medium and large sized FOBs in Kosovo with the quality of managerial practices employed in these companies.

3. Methodology

This research paper aims at analyzing the main managerial practices used by managers in FOBs in Kosovo and the correlation to success of the company as argued by global studies. Due to the different organizational management structure in FOBs, this study is of special interest in order to know in more detail the managerial practices utilized in these businesses and see the correlation with the success of the business in general. The research is based mainly on primary data collection.

3.1 Primary data

Primary data includes qualitative research conducted, more specifically in depth, semi-structured interviews with six medium and large sized FOBs in Kosovo. The companies interviewed were mostly manufacturing companies, with retail as a second main activity as well. The interviews were conducted with the main managers or owners of the companies. The interview questions were based on the study conducted by Bloom and Van Reenen (2007) regarding the managerial practices across firms and countries, however, the questions were adapted for this study. The interview questions comprised of 23 questions, where the first part discussed general questions regarding the company and the rest of the questions were divided in four subtopics, namely operations, monitoring, targets and incentives. The interviews lasted up to 40 minutes and were recorded with the consent of the interviewee. The interview questions are represented in Appendix 1.

3.2 Secondary data

The secondary data used for this study, were academic journals discussing similar topics, studies conducted in other countries around the world, and most importantly databases from institutional websites of Kosovo. Some of the main were: reports issued from the World Bank Group in Kosovo, Kosovo Agency of Statistics, IFB Research Foundation, Austrian Institute for SME research, Riinvest Institute etc.

3.3 Limitations

Limitations faced while conducting research was the lack of data regarding FOBs in Kosovo. More precise information such as an approximate number of businesses that are registered as family owned and their contribution to the economy of Kosovo, would present a more comprehensive overview. The Kosovo Agency of Statistics does not focus on this aspect of the businesses structure and thus no information regarding FOBs. Additionally, a higher number of interviews with more FOBs in Kosovo would present a more comprehensive insight.

4. Findings

This section presents the findings from the semi-structured in-depth interviews conducted with 6 managers/owners of medium and large sized companies operating in Kosovo, which are founded by one/many family member/s and several other family members participate in managing/owning the company. The findings will be represented as follows: first the interviews will be analyzed separately to gain more specific insight on the different circumstances that shaped these FOBs and the managerial practices they have utilized during the years of operation, and then the main findings from all the interviews will be presented in a separate section to give the readers a complete overview of the characteristics that distinguish FOBs from other forms of business ownership in Kosovo.

4.1 Data from the Interviews

This section aims at representing and analyzing the responses of the interviewees during the semi-structured in-depth interviews with the managers or owners of the companies. The questions were designed in a way as to explore the individual standpoints and experiences of the managers or owners, but at the same time the structure of the interview questions served as a guide to maintain the interactions concentrated on the topic. Due to the business secrecy required by the owners, the names of the companies' subject of research are not stated. Each interview will be named with numbers as can be seen from the Table 4.

General information regarding the companies

This section will present the general information of the companies whose managers or owners were interviewed. The questions aimed at getting a background history of the company, how it started, information regarding the founder of the company, the employee number and their academic qualifications and whether they have been offered any kind of training in the last 12-2 years. Additionally, some questions were asked on the factors that determine the competition with respect to the industry in which they operate and what are the factors that enable them to remain competitive in their industry.

The table below shows the number of founders for each company, their academic qualifications, the total number of employees, including those with part-time jobs as well as their academic qualifications.

Table 4. Number of founders of the companies, their academic qualifications, number of employees and their academic qualifications.

Companies	The founder/s	The founder's academic qualification	The number of employees	Employees' academic qualifications
C. 1	3 founders- Family related	2: Bachelor degree 1: High school diploma	253 employees	-Elementary school -High school -Bachelor's degree -Master's degree
C.2	1 founder(the interviewee was the second generation owner)	High school diploma	420 employees	-High school -Bachelor's degree -Master's degree
C.3	3 founders-Family related	Master's degrees	52 employees	-High school -Bachelor's degree
C.4	1 founder (the interviewee was the son of the founder)	High school diploma	50 employees	-High school -Bachelor's degree
C.5	1 founder (the interviewee was a family member in the role of the manager)	Master's degree	180 employees	-High school -Bachelor's degree

C.6	1 founder	Master's degree	200	-High school -Bachelor's degree -Master's degree
-----	-----------	-----------------	-----	--------------------------------------------------------

Source: Interviews with FOBs, 2019

The table above shows some general information regarding the founder/s and their academic qualifications in order to see whether the latter was an important factor in the successful management of the company. Referring to the table, the founder's academic qualifications vary from Master's degree to a High School diploma. Another important question was regarding the previous experience of the founder in the same industry. The results from the interviews show that the founders of C1, C3, C4, C5, and C6 had previous experience of 10 or more years in the same industry where they either worked for a state enterprise or a privatized company and then opened their own business and formed their own base of customers. The founder of C2, a retail company, did not have any experience in the same industry before establishing the company. Nevertheless, the experience and capital he created during the work he did in other jobs in different industries, helped him start up the business.

The six interviewees claimed offering training for their employees in the last 12 months to 2 years. Especially, the manufacturing companies, which add technological advancements very frequently, offer trainings in order to enhance the employees' current skills and keep them updated on how to operate the different machines.

The owner of C2, a retail company, claimed that they also offer trainings depending on the business' yearly strategies. These trainings are not offered as frequently as in the manufacturing companies, however depending on the type of brand department they work in, relevant trainings are offered to the employees.

It was important to know what the main factors that determine the nature of competition in the industry are, and what are the factors they consider crucial to remain their competitive advantage. These factors differed in the degree of importance, however they were mentioned by each interviewee as being a significant element in their business strategy. The quality and price of the

product/service they offer, was claimed to be the most important factor. This is because these companies operate in highly competitive industries, and as such, price and quality is what helps them build a loyal customer base and continue their operations. As C3 interviewee claimed “If we don’t meet the expectations of our customers, it will be hard to survive in this tough competition. Our company has remained in this industry for more than 20 years only the high quality that we offer has kept our loyal customers satisfied and has attracted new ones”.

4.2 Managerial practices

The studies that have been conducted in many developing countries, show that the managerial practices and their quality employed in a company is crucial for better performance. More specifically, the study on the differences of managerial practices in different companies in different countries, suggests that the management practices used in these companies were very closely related to the company’s productivity and success (Bloom and Van Reenen, 2011, as cited in Sahiti, 2019). Also, depending on the industry they operate in and the experience of the people managing the company, the managerial practices are tailored and adapted for the business.

As explained in previous sections, the managerial practices, from the model proposed by Bloom and Van Reenen (2007), are divided into four main groups, more specifically: operations, monitoring, targets as well as incentives. The questions asked regarding operations were focused on how the company deals with process problems, whether any new operational technique was introduced in the company. Questions regarding monitoring of the employees, were focused more on whether employees were regularly monitored, what were the criteria to fulfill, whether there were any consequences to the uncompleted tasks etc. The questions asked regarding targets were mainly focused on what they base their targets on, the time horizon and interconnection of targets etc. Lastly, the questions regarding incentives focused on the rewards given to the employees as a result of good/bad performance, promotion of the employees etc.

The answers were based on a 1, 3 & 5 score scale where the interviewees’ answers were given one of the scores depending on the answer given. The criteria for the scores are presented in Appendix 2. Additional specific information was given by the interviewees for each question, representing the uniqueness of their own FOB.

4.2.1 Operations

Table 5. Managerial practices of companies: Operations

	C1	C2	C3	C4	C5	C6	Average score
Introduction of new aspects of manufacturing/service/transportation.	3	3	3	5	5 (in 2020)	5	4
Rational for introduction of new aspects of manufacturing/service/transportation	5	5	5	5	5	5	5
Process problem documentation	5	5	5	5	5	5	5
Total	4.3	4.3	4.3	5	5	5	4.7

Source: Interviews with FOBs, 2019

In the sub-section of operations as part of the four managerial practices, interviewees were asked three questions. The first of which was whether they had introduced any new aspect of manufacturing, offering services or transportation of their products. The average score was **4**, due to the different natures of the industries in which the interviewed companies operate in. The introduction of new aforementioned aspects, were claimed to be crucial for each company. Due to the competitiveness in their respective industries, the interviewees claimed that they must constantly update their manufacturing techniques, logistics and service offers in order to remain competitive, attract customers and retain the loyal ones. C4 interviewee claimed that in the industry where they operate, there are constant innovations of the machines they use. The latter, enable a faster completion time and less costs, as such, implementing these new innovations has kept them first on the list from the start of the business. On the other hand, C5 interviewee claimed that they are in the process of implementing a whole new system of production in 2020. They claimed that

the current trends in the industry have made it impossible to escape the implementation of new technology.

Regarding the question on what was the reason behind introducing these new aspects of manufacturing, offering services or transportation, the interviewees claimed that it was because these new aspects were in line with meeting their business objectives which also includes cost reduction. The average score was **5**, showing that all the companies interviewed implemented the new aspects solely for the aforementioned reasons. The interviewee C1 explained that they are one of the few companies in Kosovo that produce this certain product, and as such, their competition does not influence their decisions on implementing new technology as much as increasing the quality of the products and reducing the costs does. Additionally, they mentioned how the introduction of the new technology has enabled them to increase the production of a specific product by more than 10 times that of before.

Regarding process problem documentation, whether they make the process improvements continually or only when problems arise, the interviewees answered that they are always proactive regarding process problems, with an average score of **5**. They make sure to be one step ahead and avoid or mitigate potential problems that may arise during the manufacturing of the products or service offerings. The interviewee C6 explained how the machines they use are very fragile and are crucial to producing the product with the highest quality in the industry, so they have hired additional professionals to maintain the machines and make sure that no problem will occur during the production process. Moreover, the interviewee C5 stated that the machines in the production facility work 24 hours every day of the week, indicating an intensive process that requires constant monitoring from experts in order to avoid any malfunction that is in control. The close supervision paid to the technology/machinery that they use is a result of lessons learned from previous experiences, where C5 incurred high financial costs of not closely following one of the parts of the machinery.

4.2.2 Monitoring

Table 6. Managerial practices of companies: Monitoring

	C1	C2	C3	C4	C5	C6	Average score
Is tracking ad hoc and incomplete, or is performance continually tracked and communicated to all staff?	3	5	5	5	3	5	4.3
Is performance reviewed infrequently and only on a success/failure scale, or is performance reviewed continually with an expectation of continuous improvement?	5	5	5	5	5	5	5
In review/performance conversations, to what extent is the purpose, data, agenda, follow-up steps (like coaching) clear to all parties?	5	5	5	5	5	5	5
To what extent does failure to achieve agreed objectives carry consequences, which can include retraining or reassignment to other jobs?	5	5	3	5	3	5	4.3
Are performance measures ill-defined, poorly understood, and private or are they defined, clearly communicated, and made public?	3	5	3	3	3	3	3.3
Total	4.2	5	4.2	4.6	3.8	4.6	4.38

Source: Interviews with FOBs, 2019

The monitoring aspect of the company is important in terms of tracking the employees, reviewing their performance and communicating it to the employees. Each company had established their

own internal procedures with respect to monitoring and through the five specific questions, they revealed important information. Regarding the question whether the tracking is ad-hoc and incomplete or whether performance is continually tracked and communicated to all staff, for the most part they claimed that performance is continuously tracked and communicated, both formally and informally. C1 interviewee claimed that in their company it is crucial that the employees remain their productivity and are efficient during the working time hours. They have specific targets during the day which have to be met and in order to ensure that, performance is tracked and is communicated during their daily meetings in the morning to all employees. In C2, management had developed a system of tracking some key performance indicators, and this process is generally overseen by the middle managers of the specific groups and then conveyed to the senior managers. The average score was **4.3** indicating that overall, companies continually track the employee performance and communicate it to them clearly.

Regarding the question on the frequency of reviewing their employees and on the indicators used, the average score was **5**, representing that companies continually review their employees, all aspects are followed up to ensure continuous improvement, and all results are communicated to the staff. This is in line with modern managerial models which include continually reviewing performance based on predetermined clear indicators with the expectations on continuous improvement (Sahiti, 2019). Company 1, 4 and 6 utilize labor almost as much as machinery, more specifically they depend on the employees which work closely with the machinery in order to reach the production targets. As such, they set targets of production monthly, and that target is followed continually by the employees and monitored by managers on whether it is achieved. During times when production targets are not met, senior management addresses the issues publicly and explicitly states the expected performance or improvement in productivity of the employees.

The table above shows that the average score of whether the purpose, data, agenda and follow-up steps are clear to all parties in review/performance conversations, is **5**. This shows that all companies in their regular review/performance discussions focus on problem solving and handling the root causes of those issues. Moreover, the purpose, agenda and follow up steps are clear to all

and these meetings serve as an opportunity to provide useful feedback to their employees. The interviewee C4 claimed that they have a very friendly approach while reviewing performance together with their employees. They tend to give advice and useful feedback on how they are able to improve continually and what is expected of them.

It was interesting to gain insight on how the managers deal with possible consequences after a failure to achieve the predetermined objectives. The average score for this question was **4.3**, indicating that usually managers tend to retrain their employees or move them to other areas of work where they can better fit in, if they fail to perform successfully where they were previously assigned. Some interviewees revealed that there are cases where they may downgrade their employees' positions within the company, but not fire them because of the empathy they feel towards them. In C5, the interviewee explained that they have established a system of "three notices", which would be given to the employees verbally or in written form after they had been reassigned to another job. Failure to comply with the three notices, would ultimately lead to firing them from the company. In C1, employees are downgraded in their position or are reassigned to jobs with less responsibility, when they fail to achieve the targets set beforehand. In such situations, the employees are motivated to outperform their fellow colleagues in order to get the position they were in previously. On the contrary, in C2 employees are never downgraded, they are actually reassigned to another job of similar position, however if they fail to reach the expectations of the manager they will be laid off from the company.

The last question concerning the monitoring activities, was regarding on the clarity of formulations of performance measures and whether they are clearly understood by and communicated to the employees. The average score of **3.3** indicates that, the performance measures of the companies are clearly defined and communicated publicly to all levels of the company, however comparisons between the employees are discouraged. This contrasts the best practice, which states that all performance measures must be well defined and strongly communicated publicly as well as establish rankings to induce competition among the employees. Interviewee C3 claimed that doing so, would create instability due to not following the shared company objectives, but aiming their own personal ones. In C2 however, the interviewee claimed that the nature of the business requires

employees to compete in terms of selling the products to the customers, as such the performance of each employee is made public to induce competition.

4.2.3 Targets

Table 7. Managerial practices of companies: Targeting

	C1	C2	C3	C4	C5	C6	Average score
Are the goals exclusively financial, or is there a balance of financial and non-financial targets?	5	5	5	5	5	5	5
Are the goals based on accounting value, or are they based on shareholder value in a way that works through business units and ultimately is connected to individual performance expectations?	5	5	3	1	5	5	4
Does top management focus mainly on the short term, or does it visualize short-term targets as a “staircase” toward the main focus on long-term goals?	5	5	5	3	5	5	4.6
Are goals too easy to achieve, especially for some “sacred cows” areas of the firm, or are goals demanding but attainable for all parts of the firm?	5	5	5	5	5	5	5
Total	5	5	4.5	3.5	5	5	4.65

Source: Interviews with FOBs, 2019

The targets sub-section aimed at analyzing on how they set their targets based on the company's strategy, namely their target balance, interconnection, time horizon and targets stretching. Regarding the question on whether the targets they set are solely financial targets or they are based on non-financial targets, the average score was **5**. This indicates that, FOBs, tend to create a balance between financial and non-financial targets. C1 interviewee claimed that at the start of the

business, the main focus of the owner was stabilizing the company in terms of products, creating a company culture and making sure their employees are provided with good working conditions. Nevertheless, these pure-non financial targets are now balanced with financial-targets which enables the company to remain in business and continue the family tradition. Interviewee C5 claimed that the founder of the business is passionate about the product they produce, and this passion has been supported by his own family, which enabled him to start-up the business. Now more than 14 years later they still has the same passion and same values, however the financial part is what drives the continuation of the business.

The following question was regarding the interconnection of targets between the different levels of the firm, more specifically the lower and upper levels in the firm to individual employee performance. The average score resulted to be **4**, indicating that the overall goals of the company are based on the shareholder value but are not necessarily interconnected with the employees' individual performance. This is in contrast to the best practice of having company goals focused on shareholder value, and increasing in specificity as they work through the business units and ultimately defining the employee performance expectations. Only four of the companies claimed to follow this practice. C5 claimed that their shareholders play a crucial role in setting the company goals and those goals are highly interrelated with the performance of the employees

The third question aimed at finding out whether top management focuses on the short term or whether they visualize their short-term targets as a path to achieving their long-term goals. The average score of **4.6** suggests that these companies have set short and long term goals for all levels of the organization, however some are set independently and are not necessarily connected to one another. Out of the companies interviewed, 4 of them claimed that the long term goals that are set by top management are generally translated into more specific short-term targets in a way that they become a "staircase" to attain the long-term goals. Interviewee C2, claimed that in their company they set short-term goals which are easily attainable; medium-term goals that are prone to re-designing and re-considering; and lastly long-term goals which they set however, depending on the former two, they can be achievable or not. C4 interviewee stated that in their company, the production department focuses more on short-term goals whereas higher level departments set both

short term and long term goals which may or may not be interconnected due to the nature of the work done in these separate departments.

Regarding the question whether the goals they set are easy to achieve or are demanding but obtainable for all parts of the company, the average score of **5**, suggests that the goals or targets set by these companies are really demanding however they are attainable. Interviewee C2 stated, “if we were to set targets that are easy to achieve, our employees would not be motivated and would not strive to reach their highest potential”. In addition, C6 interviewee claimed that the employees have to be motivated in order to make an effort, and the only way to do so is by setting demanding targets. The latter are always based on economic grounds, more specifically reach higher sales and thus increase the profits.

4.2.4 Incentives

Table 8. Managerial practices of companies: Incentives

	C1	C2	C3	C4	C5	C6	Average score
To what extent are people in the firm rewarded equally irrespective of performance level, or is performance clearly related to accountability and rewards?	3	3	5	3	3	3	3.3
Are poor performers rarely removed, or are they retrained and/or moved into different roles or out of the company as soon as the weakness is identified?	5	5	3	5	5	5	4.6
Are people promoted mainly on the basis of tenure, or does the firm actively identify, develop and promote its top performers?	3	5	5	3	5	5	4.3

Do competitors offer stronger reasons for talented people to join their companies, or does your company provide a wide range of reasons to encourage talented people to join?	5	5	5	5	5	5	5
Does the firm do relatively little to retain top talent, or do whatever it takes to retain top talent when they look likely to leave?	3	3	3	5	3	5	3.6
Total	3.8	4.2	4.2	4.2	4.2		4.16

Source: Interviews with FOBs, 2019

The final subsection of managerial practices is regarding incentives. This section aims at examining the managerial practices regarding the good and poor performing employees, that is, how they are treated when they perform bad, do they promote good performers etc. Regarding the question on the extent that the employees in the company are rewarded equally irrespective of performance level or whether performance is clearly linked to accountability and rewards given, the average score resulted to be **3.3**. This score indicates that each company has an established evaluation system for awarding the good employees with the deserved awards, whether that is in monetary terms or other fringe benefits. C1 interviewee explained that their company has an established hierarchy of positions. The employees in higher positions are rewarded solely based on their performance, whether it is reaching targets, planning, supervision of employees etc. However, the lower level employees, whose job is labor intensive, are not rewarded based on individual performance, rather all the employees in that department are rewarded on collective performance. The yearly rewards given reach to 50,000 euros, and some high performing employees may win bonuses up to 4000-5000 euros, and gifts such as watches or other individual-use gifts. In C4 depending on the profit gained after the work for one client, management rewards 50 euros to 100 euros per employee involved in successfully finishing the job. In C3 however, the interviewee stated that they operate in a highly competitive industry and as such they try to surpass the competitors by providing aspiring and demanding monthly sales targets, and if those targets

are achieved, they reward their employees based on their contribution. These rewards are mostly monetary compensations in addition to their monthly wage.

The next question concerns the removal of poor performers, more specifically whether the poor performers are hardly ever removed or whether they are retrained or given other positions or are ultimately removed from the company. The average score of **4.6** indicates that they move the poor performing employees out of the company or assign them to positions of lower responsibility as soon as the weaknesses are identified. One of the companies stated that they tend to keep the poor performing employees in a certain position for a few years before they take action, with the reasoning that they are given chances to improve. However, if no apparent improvement is seen they are removed from the company. C1 interviewee explained that they tend to downgrade their employees when weaknesses are reported however in C6, the interviewee stated that it is not in their company culture to downgrade their employees because they are so closely related to each other and the shame they might feel would affect them negatively. Only in the sales department, if the employees fail to satisfy the customer, or if the customer files a complaint regarding any of the employees, then the latter is immediately laid off. This is because in C1 the sales department is a very crucial factor in the whole company, and failure to fulfill the customers' requests will affect the company in financial terms and credibility as well. In C3 employees are rarely removed from the company, only in extreme cases of stealing or disputes in between employees, have the latter been discharged.

The next question was whether these companies promote their employees based on tenure or do they actively identify, develop and promote their top performing employees. The answers, resulting in an average score of **4.3**, suggest that the companies actively identify, develop and promote their top performers. This enables the increase in quality of their employees which creates a ripple effect throughout the company by increasing production and sales. In C6, the interviewee explained that in order to furthermore develop their employees' skills, they provide scholarships for studying additional academic degrees for the promising employees, and as such they participate in the development of their skills and increase in productivity. Only in C1 and C4, employees are primarily promoted on the basis of performance. In C4 employees are promoted based on whether

they have made higher sales compared to other employees in the company for a consecutive number of months. The higher the sales, the higher the profits for the company and as such the more likely are they to be promoted.

The fourth question was regarding the attraction of human capital, more specifically whether the company offered reasons to encourage talented employees to join their company or whether the competitors offered stronger reasons for those talented employees to join their companies. The average score of **5** indicates that they offer an exceptional value proposition to encourage the talented employees to join their own companies rather the competitors' companies. When asked about in more detail, the interviewees revealed that one of the reasons for their success as a company and with respect to retaining talented employees, was company culture. Interviewee C2 explained that even though the competition is ruthless in terms of attracting the best talents in the labor market, their company provides more for the latter and as such, they attract them to the company. They claimed that each employee is treated as a member of this big family, whose problems are shared by everyone and the managers make sure to provide the help they need during difficult times. The respect shared between the employees, managers, directors and owners has enabled the creation of a close company culture and has strengthened the connection of the employees with one another and the managers. This makes them more motivated and incentivized to work harder which in turn is rewarded with high wages and benefits. C1 interviewee stated that their company has many benefits which attracts the employees to join their company, namely the proximity of the factory to the city center, the 3 regular breaks during work, starting and ending of work time is punctual every day starting at 7:00am and ending at 3:00pm, the paid meals etc. They stated that a competitor had taken three employees six months ago, by offering 100 euros more in salary, however the employees returned after three months because the working conditions were miserable compared to the ones offered at C1.

Additionally, all interviewees claimed that in comparison to their competitors they respect the labor laws and offer many fringe benefits. Each company registers their employees and as such pays the required taxes and contributes to the employees' pension system. In addition to fully

complying with the laws, the interviewees explained that they offer many fringe benefits such as daily meals for their employees, company cars, health insurance and so on.







The last question concerns the efforts made from the company's side to retain human capital or talent. When asked whether the firm does relatively little to retain high performers, or whether they do everything it takes to keep these high performers in the company even when they are likely to leave, the average score resulted to be **3.6**. C1, C2, C3 and C5 interviewees stated that in times when the employee has resigned or announced that they are planning to leave, they made sure to persuade them to stay by either offering a higher monthly income or offering additional benefits. Nevertheless, when the reasons for leaving are personal, as C2 interviewee argued, whether they want to leave the country for a better life in Europe or elsewhere or to pursue higher academic degrees then the company management has not interfered. On the other hand, C4 and C6 stated that they do whatever it takes to retain these high performing employees. The reasoning behind is that management dedicates a lot of resources to keep their employees satisfied with their working conditions as well as monthly income, so they leave little space for complaints.

4.3 Performance: Sales

As a last request, the interviewees were asked to make an approximate estimation of the increase and decrease of sales during the period of 2015 to 2019. Each company reported an increase in sales of above **5%** up to **19%**, and a slight decrease of **0** to **4%** during certain periods. This increase in sales could be attributed to many factors such as new investments in the company, new partnerships, and increase of consumers' interest. At the same time, since the interviewed companies report high quality managerial practices (as shown by their high scores), it can also be inferred that these practices have enabled them to grow over the years and stabilize their business operations in order to attract more customers. Thus, part of the success of these companies could be attributed to the managerial practices utilized by them.

4.3.1 Growth of sales 2015-2019







Table 9. Growth of sales 2015-2019

	C1	C2	C3	C4	C5	C6
0 to 4%						
Slight increase: 5% to 9%						
Significant increase: 10% to 19%						
Very significant increase: >20%						

Source: Interviews with FOBs, 2019

4.3.2 Decline of sales 2015-2019

Table 10. Decline of sales 2015-2019

	C1	C2	C3	C4	C5	C6
0 to -4%						
Slight decrease: -5% to -9%						
Significant decrease: -10% to -19%						
Very significant decrease: > - 20%						

Source: Interviews with FOBs, 2019

4.4 Main findings

Prior research conducted regarding the managerial practices utilized in a company, suggest that there is a close correlation between the performance of the company and the managerial practices (Bloom & Van Reenen, 2007). The findings from this study support the evidence that successful businesses score high on their implementation of managerial practices as suggested by the model

proposed by Bloom and Van Reenen (2007). This finding is based exclusively on the six successful Kosovar FOBs that were interviewed for the study. Thus, it is important to emphasize that this sample of the interviewed companies might lead to two sources of biases. First, there might be an upward bias on reporting by the interviewees, as they may tend to report positive results and higher scores for their managerial practices. Second, is the selection bias since the selected companies are medium and large sized successful companies, which record more positive results.

4.4.1 Introduction of new aspects of manufacturing/service/transportation

Regarding the area of operations, the successful interviewed FOBs tend to introduce new technologies of manufacturing and new operational aspects of providing services or transportation frequently. They tend to follow the industry trends worldwide in order to maintain their competitive advantage inside Kosovo but also in their international markets.

4.4.2 Rationale for introduction of new aspects of manufacturing/services/transportation

In addition, the interviewed FOBs in Kosovo tend to introduce these new technological innovations solely to meet their business objectives and reduce the costs. Some of the most mentioned business objectives during the interviews were the introduction of new products in the market, increase in quality of the existing products, opening new retail stores in other cities of Kosovo etc.

4.4.3 Process problem documentation

These FOBs are proactive in alleviating potential problems that might occur during the manufacturing processes, offering services or transportation of their products. In addition, they expose these problems in a structured way because it is crucial to the employees' responsibilities and the solutions are found as a part of the businesses' normal processes rather than by exceptional efforts. This indicates that, they have developed a company culture to be aware of potential problems and are proactive in resolving these potential problems without disturbing the overall operations of the business.

4.4.4 Performance tracking

The interviewed FOBs track the performance of their employees continually and communicate it clearly either formally or informally by using a variety of visual management instruments. The key performance indicators are tracked and overseen by senior management, and then are forwarded to the owners, since most of these companies had a clear established hierarchy.

4.4.5 Performance review

The performance of the employees is continually tracked and is based on pre-established indicators, and then are followed up in order to ensure improvement of performance. These results are communicated to all staff to not leave space for any potential complaints by the employees in general.

4.4.6 Performance Dialog

In the dialogs conducted with the employees regarding their performance, the main area of discussion is problem solving and addressing the root causes of these issues. The management provides a clear agenda with a purpose and follow-up steps for the employees. These dialogs are seen as opportunities for constructive criticisms in order to enhance and strengthen the performance of the employees.

4.4.7 Consequence Management

The interviewed FOBs companies tend to tolerate the low-performing employees for a period to give them opportunities for improvement, however, after this period, they either assign them to other jobs where they can better match their skills with the responsibilities or ultimately lay them off if no improvement is seen whatsoever.

4.4.8 Performance clarity and comparability

Regarding the clarity of performance measures, the interviewed FOBs provide well-defined performance measures, which are clearly communicated. Moreover, the results of the performance of employees are made public but in most companies they discourage comparisons in order to not

induce competition and potentially destabilize the company culture of cooperation and achieving goals.

4.4.9 Target balance

Of the most outstanding characteristics of interviewed FOBs in Kosovo is that they have developed their goals on a balance between financial and non-financial goals. With the latter being more inspiring and challenging than the financial ones. Interviewees reported a close bond between the values with which the business was founded upon, and the how they continue to manage the business.

4.4.10 Targets interconnection

These companies tend to base their corporate goals on shareholder value but they are not clearly interconnected with the employee's performance expectations. Just four of the businesses interviewed focus their goals on shareholder value and these goals become more specific and more interconnected to the business units within the company and ultimately defining the employee's performance expectations.

4.4.11 Targets time horizon

These high growth interviewed FOBs tend to set more short-term goals and view them as a stairway toward the main focus of the long-term goals. The interviewees claimed that their business strategies require setting short term goals in order to achieve the long term ones with medium term goals serving as a bridge.

4.4.12 Targets area stretching

The interviewed companies set these short and long term goals as equally demanding for all business units which are grounded in solid economic basis. They serve to maintain the company culture of working beyond expectations and achieving high results for all the units in the company.

4.4.13 Rewarding high performance

The interviewed FOBs have established their own evaluation systems to award their employees based on their performance. Additionally, they have created an interconnection between the targets of the company as a whole and the rewards given to the best performers in the company.

4.4.14 Removing poor performers

These businesses tend to move their low-performing employees to positions that are less critical and with less responsibilities, instead of laying them off immediately. They may downgrade them or give notices in order to make room for improvement. Letting them go is the last option for removing poor performers out of critical roles in the company.

4.4.15 Promoting high performers

The interviewed FOBs tend to actively identify, develop and promote their top performers rather than promote them solely on basis of tenure or solely on basis of performance. This gives chances to newer employees to impress the management by performing well and getting promoted. In some companies it just happens that the employees that have been with the company for longer are also the best performers. But in some other companies, even those that join the company much later can have the same position as one that has been in the company for a longer time period.

4.4.16 Attracting human capital

This was an outstanding finding since all interviewed FOBs tend to offer a unique value proposition in order to incite good employees to join their companies. The working environment differs from their competition with different business structure and ownership in that they have created a company culture where everyone is given equal rights, opportunities for promotion, fair treatment and so on. They extend their family values to their employees and thus creating a warm culture harmony which stretches to exceptional performance of the entire business.

4.4.17 Retaining human capital-talent

The interviewed FOBs tend to work hard in keeping their top performers in the company, by offering even better working conditions such as raise in monthly income or fringe benefits, but not

do whatever they can to retain them since reasons may vary, and most of them are personal reasons of leaving the company.

5. Recommendation and Conclusion

The aim of this research study was to analyze the managerial practices that are utilized by FOBs in Kosovo and portray the correlation between the success of the companies and the successful implementation of these managerial practices. Approximately, 85% of businesses in Kosovo are family owned and their contribution to the country's economy is substantial, whether that is in employment of citizens or contribution to the GDP. This research has offered insight on specific managerial practices of four areas, namely operations, monitoring, targets and incentives. The four main areas of management practices and their sub-practices, were each analyzed based on the interviews conducted with six medium and large sized FOBs in Kosovo. These businesses mainly operate in the manufacturing sector and wholesale and retail sector. Overall they were founded by one to three founders, whose academic qualifications range from only having a High School Diploma to a Master's Degree. The number of employees in these companies ranges from the lowest of 50 employees to a high number of 420 employees. The interview questions were based on the established model by Bloom and Van Reenen (2007), and the answers of the interviewees were scored by 1, 3 or 5. After analyzing the average scores of these four main areas of managerial practices, four main conclusions are suggested. *Firstly*, with regards to operations, the average score for the 6 companies interviewed was **4.7**. This means that these FOBs are following the current technological innovations closely because it enables them to reach their business objectives and lower the overall costs. In addition, they are proactive during the production and service offering processes as they seek out problems before they have occurred in order to mitigate them. *Secondly*, the average score for the monitoring aspect, has resulted to be **4.38**. This relatively high score, suggests that these FOBs continually track the performance of their employees; review the performance with the expectation of continuous improvement; hold regular meetings with their employees and provide clear purpose, agenda and follow-up steps; retrain their employees or move them to different areas of the company when weaknesses in performing their current duties surface; have well-defined performance measures. *Thirdly*, the targets area of management practices

resulted with the second highest average after operations, of **4.65**. This indicates that they have created a balance of financial and non-financial business targets; they primarily set their targets on shareholder value which ultimately are related to individual performance of the employee; set the short term targets in a way that enables the attainment of long term goals; the targets are demanding for all the areas of the firm however are reachable and are based on economic grounds. *Lastly*, the area of incentives and the managerial practices utilized resulted in an average score of **4.16**. This score was the lowest among the four areas analyzed, however it is still a positive result. It indicates that these FOBs reward their employees based on their performance; poor performers are usually relocated to other jobs within the company and when there is no improvement they are laid off; they continuously identify, develop and promote their top performing employees; they provide a unique value proposition to encourage talented people to join their company; they work hard to retain these top performing employees. According to the provided estimations, these businesses have had increases in sales of **5% to 19%**, indicating the positive correlation between successful implementation of managerial practices and the overall success of the company throughout the years.

Based on these results, it is recommended that all FOBs in Kosovo should devote more of their resources towards the implementation of the aforementioned managerial practices in order to grow their sales and become successful, which in return would aid the economic development of our country. Based on general knowledge, FOBs in Kosovo tend to run their businesses based on family traditions or other ways that are not necessarily appropriate. Taking into consideration the numerous studies done, the successful implementation of these managerial practices will be an important aspect to the growth and success of a business.

To conclude, this research study has provided interesting and useful insight into the managerial practices used by the interviewed FOBs. It shows that the successful implementation of managerial practices is positively correlated with the company's performance, and a combination of all these practices has enabled them to hire more people and grow their business throughout the years. Furthermore, I hope this research paper grabs other researchers' attention in order to look into more about this topic and enrich the current knowledge.

6. References

- Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 99-120.
- Barney, J. B. (1995). Looking inside for competitive advantage . *The Academy of Management Executive* , 46-61.
- Bloom, N., & Reenen, V. J. (2007). Measuring and Explaining Management Practices across Firms and Countries. *The Quarterly Journal of Economics*, 1351-1408.
- Bloom, N., & Van Reenen, J. (2010). Why do management practices differ accros firms and countries? *Journal of Economic Perspectives*, 203-224.
- Chua, J., Chrisman, J., & Sharma, P. (1999). Defining Family Business by Behavior. *Entrepreneurship Theory and Practice*, 19-37.
- Cojocar, A. (2017). *Jobs Diagnostic Kosovo*. Washington: World Bank Group.
- Collis, D., & Montgomery, C. A. (1995). Competing on Resources: Strategy in the 1990s. *Harvard Business Review*, 118-128.
- Day, S. G. (1994). The Capabilities of Market-Driven Organizations . *Journal of Marketing*, 37-52.
- European Family Business*. (n.d.). Retrieved from European Family Business: <http://www.europeanfamilybusinesses.eu/family-businesses/facts-figures>
- Gashi, G., & Ramadani, V. (2013). Family Businesses in Republic of Kosovo: Some General Issues. In V. Ramadani, & R. C. Schneider, *Entrepreneurship in the Balkans* (pp. 91-115). Springer.
- Greenwald, B. (2004). The Good Life: How Managers Made the Modern World. *Hermes*, 17-19.
- Gulzar, M. A., & Wang, Z. (2010). Corporate Governance and Non-Listed Family Owned Businesses: An Evidence from Pakistan. *International Journal of Innovation, Management and Technology*, 124-129.
- Hnátek, M. (2015). Entrepreneurial thinking as a key factor of family business success. *Procedia-Social and Behavioral Sciences* , 342-348.
- IFB Research Foundation. (2018). *The State of the Nation, The UK Family Business Sector 2017-18*. IFB Research Foundation.
- Jorissen, A., Laveren, E., Martens, R., & Reheul, A.-M. (2005). Real Versus Sample-Based Differences in Comparative Family Business Research. *Family Business Review*, 229-246.
- KAS. (2019). *Results of the Structural Business Survey, 2018*. Kosovo Agency of Statistics.

- KAS. (2019). *Statistical Repertoire of Economic Enterprises in Kosovo Q2 2019*. Prishtine: Kosovo Agency of Statistics.
- Lazonick, W. (2013). The Theory of Innovative Enterprise: Methodology, Ideology, and Institutions . In J. K. Moudud, C. Bina, & P. L. Mason, *Alternative Theories of Competition: Challenges to the Orthodoxy* (pp. 127-159). London & New York: Routledge.
- Mahoney, J. T. (1995). The management of resources and the resource of management . *Journal of Business Research* , 91-101.
- Mandl, I. (2008). *Overview of Family Business Relevant Issues* . Vienna: Austrian Institute for SME research .
- Nixha, A., Hashani, A., Abdixhiku, L., & Mustafa, S. (2015). *Corporate Governance in Family Owned Businesses in Kosovo*. Prishtina: RIINVEST INSTITUTE.
- Penrose, E. T. (1959). *The Theory of the Growth of the Firm*. New York: Oxford University Press.
- Poza, E. J., & Daugherty, M. S. (2010). *Family Business*. South-Western: Cengage Learning.
- Sahiti, F. (2019). *The Growth of Firms in Less-Developed Countries- Lessons from Kosovo*. Prishtine: Palgrave Macmillan.
- The World Bank in Kosovo. (2019). *Country Snapshot*. The World Bank.
- Trading Economics. (2019). *Kosovo GDP Annual Growth Rate* . Retrieved from Trading Economics: <https://tradingeconomics.com/kosovo/gdp-growth-annual>
- Vladimirov, Z. (2011). Implementation of food safety management system in Bulgaria . *British Food Journal* , 50-65.
- Yordanova, D., Vladimirov, Z., & Simeonova-Ganeva, R. (2015). Management Practices in Bulgarian Family and Non-family SMEs: Exploring "Real" Differences. In L.-P. Dana, & V. Ramadani, *Family Businesses in Transition Economies*. Switzerland : Springer.
- Zaki, A., Rahayu, M., & Susilowati, C. (2018). Strategies for sucessful family owned business. *Journal of Applied Management*, 215-223.

7. Appendices

7.1 Appendix 1 – Interview Questions

Part I- Questions regarding the founders and the employees of the company

Q1. What is the foundation date of your company and how many people founded it?

Q1.1 Who was the person who founded the firm?

Q2. What are the highest academic qualifications of the founder(s)?

Q2.1 What were the previous occupations of the founder(s)?

Q2.2 How many years of professional experience did the founder have and what are the main areas of expertise of the founder(s)?

Q3. What is the total number of your full time & part time employees?

Q3.1 What are their academic qualifications?

Q3.2 Have the employees been provided with any training to upgrade their skills in the past 12 months?

Q4. Who is your targeted customer? Firms/final consumers/public sector?

Q5. What are the most important factors that determine the nature of the competition in your industry? Price/quality/customer service/new products or services?

Q5.1 As such what do you consider to be the primary competitive advantage of your company? Product-service quality/ product customization/ cost competitiveness?

Q 5.2 What are the factors that enable you to create and sustain competitive advantage?

Innovation/partnerships/marketing & promotion?

Part 2- Questions regarding the management practices of the company (adopted from Bloom and Van Reneen, 2007)

Operations

Q6. Introduction of modern manufacturing techniques

Has the company introduced any new aspects of manufacturing, including just-in-time delivery from suppliers, automation, flexible manpower, support systems, attitudes and behaviour?

Score 1

Other than JIT delivery from suppliers few modern manufacturing techniques have been introduced, (or have been introduced in an ad-hoc manner)

Score 3

Some aspects of modern manufacturing techniques have been introduced, through informal/isolated change programmes

Score 5

All major aspects of modern manufacturing have been introduced (Just-in-time, automation, flexible manpower, support systems, attitudes and behaviour) in a formal way

Q7. Rational for introduction of modern manufacturing techniques

Were modern manufacturing techniques adopted just because others were using them, or are they linked to meeting business objectives like reducing costs and improving quality?

Score 1

Modern manufacturing techniques were introduced because others were using them.

Score 3

Modern manufacturing techniques were introduced to reduce costs.

Score 5

Modern manufacturing techniques were introduced to enable us to meet our business objectives (including costs).

Q8. Process problem documentation

Are process improvements made only when problems arise, or are they actively sought out for continuous improvement as part of a normal business processes?

Score 1

No, process improvements are made when problems occur.

Score 3

Improvements are made in 1 week workshops involving all staff, to improve performance in their area of the plant.

Score 5

Exposing problems in a structured way is integral to individuals' responsibilities and resolution occurs as a part of normal business processes rather than by extraordinary effort/teams.

Monitoring

Q9. Performance Tracking

Is tracking ad hoc and incomplete, or is performance continually tracked and communicated to all staff?

Score 1

Measures tracked do not indicate directly if overall business objectives are being met. Tracking is an ad-hoc process (certain processes aren't tracked at all)

Score 3

Most key performance indicators are tracked formally. Tracking is overseen by senior management.

Score 5

Performance is continuously tracked and communicated, both formally and informally, to all staff using a range of visual management tools.

Q10. Performance clarity and comparability

Are performance measures ill-defined, poorly understood, and private, or are they well-defined, clearly communicated, and made public?

Score 1

Performance measures are complex and not clearly understood. Individual performance is not made public.

Score 3

Performance measures are well defined and communicated; performance is public in all levels but comparisons are discouraged.

Score 5

Performance measures are well defined, strongly communicated and reinforced at all reviews; performance and rankings are made public to induce competition

Q11. Performance review

Is performance reviewed infrequently and only on a success/failure scale, or is performance reviewed continually with an expectation of continuous improvement?

Score 1

Performance is reviewed infrequently or in an un-meaningful way e.g. only success or failure is noted.

Score 3

Performance is reviewed periodically with both successes and failures identified. Results are communicated to senior management. No clear follow-up plan is adopted.

Score 5

Performance is continually reviewed, based on indicators tracked. All aspects are followed up ensure continuous improvement. Results are communicated to all staff.

Q12. Performance dialog

In review/performance conversations, to what extent is the purpose, data, agenda, and follow-up steps (like coaching) clear to all parties?

Score 1

The right data or information for a constructive discussion is often not present or conversations overly focus on data that is not meaningful. Clear agenda is not known and purpose is not stated explicitly

Score 3

Review conversations are held with the appropriate data and information present. Objectives of meetings are clear to all participating and a clear agenda is present. Conversations do not, as a matter of course, drive to the root causes of the problems.

Score 5

Regular review/performance conversations focus on problem solving and addressing root causes. Purpose, agenda and follow-up steps are clear to all. Meetings are an opportunity for constructive feedback and coaching.

Q13. Consequence Management

To what extent does failure to achieve agreed objectives carry consequences, which can include retraining or reassignment to other jobs?

Score 1

Failure to achieve agreed objectives does not carry any consequences.

Score 3

Failure to achieve agreed results is tolerated for a period before action is taken.

Score 5

A failure to achieve agreed targets drives retraining in identified areas of weakness or moving individuals to where their skills are appropriate

Targets

Q13. Target balance

Are the goals exclusively financial, or is there a balance of financial and non-financial targets?

Score 1

Goals are exclusively financial or operational

Score 3

Goals include non-financial targets, which form part of the performance appraisal of top management only (they are not reinforced throughout the rest of organisation)

Score 5

Goals are a balance of financial and non-financial targets. Senior managers believe the non-financial targets are often more inspiring and challenging than financials alone.

Q14. Targets interconnection

Are goals based on accounting value, or are they based on shareholder value in a way that works through business units and ultimately is connected to individual performance expectations?

Score 1

Goals are based purely on accounting figures (with no clear connection to shareholder value).

Score 3

Corporate goals are based on shareholder value but are not clearly cascaded down to individuals.

Score 5

Corporate goals focus on shareholder value. They increase in specificity as they cascade through business units ultimately defining individual performance expectations.

Q15. Targets time horizon

Does top management focus mainly on the short term, or does it visualize short-term targets as a “staircase” toward the main focus on long-term goals?

Score 1

Top management's main focus is on short term targets.

Score 3

There are short and long term goals for all levels of the organisation. As they are set independently, they are not necessarily linked to each other.

Score 5

Long term goals are translated into specific short term targets so that short term targets become a "staircase" to reach long term goals.

Q16. Targets stretching

Are goals too easy to achieve, especially for some “sacred cows” areas of the firm, or are goals demanding but attainable for all parts of the firm?

Score 1

Goals are either too easy or impossible to achieve; managers low-ball estimates to ensure easy goals.

Score 3

In most areas, top management pushes for aggressive goals based on solid economic rationale. There are a few "sacred cows" that are not held to the same rigorous standard.

Score 5

Goals are genuinely demanding for all divisions. They are grounded in solid, solid economic rationale.

Incentives

Q17. Rewarding high performance

To what extent are people in the firm rewarded equally irrespective of performance level, or is performance clearly related to accountability and rewards?

Score 1

People within our firm are rewarded equally irrespective of performance level.

Score 3

Our company has an evaluation system for the awarding of performance related rewards.

Score 5

We strive to outperform the competitors by providing ambitious stretch targets with clear performance related accountability and rewards.

Q18. Removing poor performers

Are poor performers rarely removed, or are they retrained and/or moved into different roles or out of the company as soon as the weakness is identified?

Score 1

Poor performers are rarely removed from their positions

Score 3

Suspected poor performers stay in a position for a few years before action is taken.

Score 5

We move poor performers out of the company or to less critical roles as soon as a weakness is identified.

Q19. Promoting high performers

Are people promoted mainly on the basis of tenure, or does the firm actively identify, develop and promote its top performers?

Score 1

People are promoted primarily upon the basis of tenure

Score 3

People are promoted upon the basis of performance

Score 5

We actively identify, develop and promote our top performers

Q20. Attracting human capital

Do competitors offer stronger reasons for talented people to join their companies, or does a firm provide a wide range of reasons to encourage talented people to join?

Score 1

Our competitors offer stronger reasons for talented people to join their companies.

Score 3

Our value proposition to those joining our company is comparable to those offered by others in the sector.

Score 5

We provide a unique value proposition to encourage talented people join our company above our competitors.

Q21. Retaining human capital – talent

Does the firm do relatively little to retain top talent, or do whatever it takes to retain top talent when they look likely to leave?

Score 1

We do little to try and keep our top talent.

Score 3

We usually work hard to keep our top talent.

Score 5

We do whatever it takes to retain our top talent.

Performance: sales

Please estimate:

Growth 2015 - 2019	0 to 4%	Slight Increase (5% to 9%)	Significant Increase (10% to 19%)	Very Significant Increase (>20%)
Sales				

Please estimate:

Decline 2015 - 2019	0 to -4%	Slight Decrease (-5% to 9%)	Sign. Decrease (-9% to 19%)	Very Significant Decrease (>-20%)
Sales				

7.2 Appendix 2 – Consent Form

Informed Consent Form for Social Science Research RIT Kosovo

Title of Project: *Managerial Practices of Family Owned Businesses in Kosovo*

Principal Investigator: Rrezearta Jahiu, RITK Student
Str. Nena Tereze, Apollonia 1
Fushe Kosove, 12000
049-476-520; rrezeartaj@auk.org

1. **Purpose of the Study:** The purpose of this research study is to explore the managerial practices of family owned businesses in Kosovo that have enabled them to grow and become successful.
2. **Procedures to be followed:** You will be asked to answer 23 questions during this interview.
3. **Duration:** It will take about 40 minutes to complete the interview.
4. **Statement of Confidentiality:** Your participation in this research is confidential. The data will be used only for the Senior Capstone project as part of the course.
5. **Voluntary Participation:** Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer.

You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

Participant Signature

Date

Person Obtaining Consent

Date